8/17/87 R4105-34

STATISTICAL BULLETIN

Highlights

- HOME AND CAR BUYING REMAIN WEAK
- AND TOTAL CONSUMER DEMAND GROWTH IS SLOWING
- INCREASE IN NEW ORDERS IS SPOTTY
- RISE IN INDUSTRIAL OUTPUT IS ANEMIC
- LABOR MARKET MAY BE STALLED
- EXPORT GROWTH IS OUTPACING RISE IN IMPORTS
- OUTLOOK • STEADY ECONOMIC GROWTH OF 2 1/2% TO 3% OVER THE NEXT 6 QUARTERS; POSSIBLE ACCELERATION TO 4% OR DECELERATION TO 2%

Volume 20, No. 7, July, 1987

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The Conference Board

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THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The general expectation for the U.S. economy remains favorable for the second half of this year and for the first half of 1988. Earlier concern about the negative impact of rising interest rates and a little more inflation appears to be subsiding. Interest rates have not continued to rise and may even start to come down a bit. Moreover, although food and other commodity prices have rebounded, the overall inflation rate remains in check. These developments explain, in part, why the consensus of the **Economic Forecasts** for the second quarter was revised upward.

Despite renewed optimism, however, there are potential pitfalls. One is a possible end to the continued expansion of consumer demand. Earlier this year, home and car buying declined as interest rates rose. But now there is evidence that demand for other consumer goods is faltering. This detracts from the recent turnaround in trade and the incipient rebound in investment. On the other hand, if consumer demand regains momentum, economic growth could climb to 4 percent. If not, and trade and investment weaken, overall growth could slow to 2 percent. It is more likely, however, that growth will track between those two extremes.

DOMESTIC MARKET MONITOR

Although the unemployment rate fell to 6.1% in June, from 6.3% in May, the overall report on labor market conditions was negative. The jobless rate fell due to a sharp drop in the labor force. The pace of hiring actually slowed, especially in the service industry. Consequently, the employed portion of the adult population dipped in June, following a fairly steady rise in recent months.

In spite of meager job growth, total hours worked rose 0.3% in June. Altogether, hours worked were 1.8% higher (annual rate) in the second quarter than in the first quarter. These gains and some rise in productivity, point to an estimated 2½% annualized growth in real GNP in the second quarter.

The slow pace of hiring in June may not signal the start of a new trend. The Conference Board's **Help-wanted Index** was considerably higher in May than one year earlier. Preliminary returns to the June survey suggest that this measure of labor demand is still rising.

INCOME: Average hourly pay rates in private industry had remained at $8.91 in March and April but inched up to $8.94 in May and to $8.96 in June.

Gains in hourly pay in June may boost income growth. Wage income in commodity-producing industry was no higher in May than 3 months earlier. Wages in other industry were 1.5% higher. Nonwage-income growth, however, remains vigorous. Altogether, then, personal income was 0.9% higher in May than 3 months earlier.

Already meager consumer borrowing slowed further in May. The good news is that income is rising faster than debt, reducing overall consumer indebtedness. The bad news is that consumers are limiting purchases, especially of high-priced items.

Consumer attitudes, however, remain quite positive. The Conference Board's **Consumer Confidence Index** climbed back to 102 (1985=100) in June, after falling as low as 85.8 last October.

SPENDING: The data suggest that consumer-buying growth is slowing down. Retail sales, except cars, were 0.2% lower in May than 3 months earlier. Given the slow pace of borrowing, it is not surprising that nonauto durable sales were lower. The fact that nondurable sales were 0.4% lower, however, introduces a note of caution.

After 3 lackluster months, new domestic **Automobile Sales** in June did not rise above February's level, despite promotional campaigns. That foreign-model sales were also flat suggests slack car demand.

CONSTRUCTION: The slump in the housing market deepened in May. New single-family home sales fell to the lowest level recorded over the last year and a half, fostering construction cutbacks. Single-unit housing starts were 13.4% lower in May than 3 months ago. Multi-unit starts were only 8.2% lower. But multi-unit construction was already in a tailspin.

Conversely, nonresidential construction appears to be pulling out of a slump. New commercial building was 0.9% higher (in real terms) in May than 3 months earlier. The office and industrial building categories were lower, as was work on public infrastructure. But spending on public building continues to rise.

PRODUCTION: Recent gains in industrial output were narrowly concentrated. Total output was 0.5% higher in May than 3 months earlier. But output of finished consumer goods was 0.1% lower. Durable-goods output was 2.5% lower. The quick decision to cutback on consumer goods suggests that producers are uneasy about a return to moderate growth in consumer demand. In contrast, output of defense- and space-related materiel was 0.5% higher. Raw material output was 0.8% higher, largely due to a recovery of energy output.

Ken Goldstein, Editor

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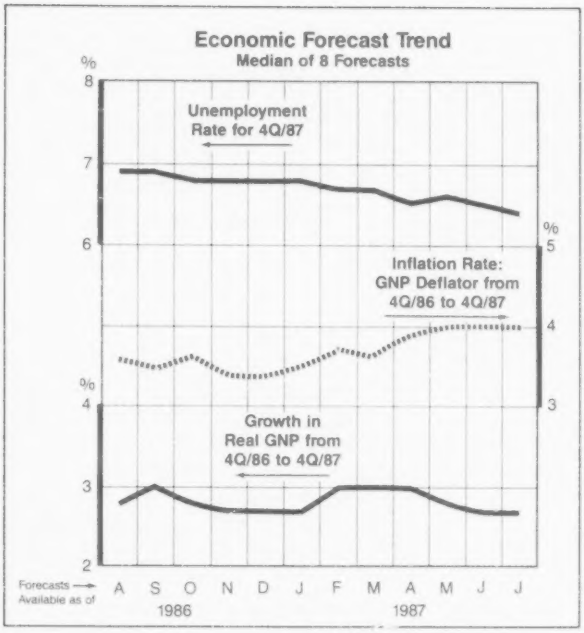


One reason for anticipating a rise in productivity in the second quarter is that output rose, albeit modestly, while capacity utilization remained flat. Capacity use in May stood at 79.6%, the same level recorded in March. A decline in capacity use in durable manufacturing was offset by a gain in nondurable industry.

The rise in new orders may not be sufficient to boost industrial production. To be sure, new orders for durable goods were 4.6% higher in May than 3 months earlier. But shipments of filled orders fell 1.2%, creating a backlog for producers to work off. Gains in orders were limited to defense materiel and to some nondefense capital goods. All other orders were 1.1% lower.

INVENTORY: Old orders are being filled more slowly than new orders are coming in, which is holding down the rise in production. Yet, some inventory accumulation is occurring. Indeed, the total Inventory-to-Sales ratio was roughly 10% higher in April than last autumn. Nondurable inventory was 1.1% higher. Durable inventory, except autos at the retail level, was 0.2% lower. Auto inventory at the retail level was 6% higher.

INFLATION: Following a prolonged slump, a recovery in commodity prices appears to be firmly set. Despite a sluggish rise in industrial production, raw industrial commodity prices jumped 4.2% in June, for the third straight month of sharp increase.

Farm prices are also on the upward track. Prices received by farmers were 6.5% higher in June than 3 months earlier. Prices paid by farmers were 1.9% higher. Severely depressed farm income is recovering, but the price of food is going up. Despite higher cost for raw industrial input and for food, prices for finished goods at the wholesale level continue to rise relatively slowly. And the CPI is still rising at only about a 3% annualized rate. The consensus of the **Economic Forecasts** is that the CPI will be rising at about a 4% annualized rate in the fourth quarter of this year.

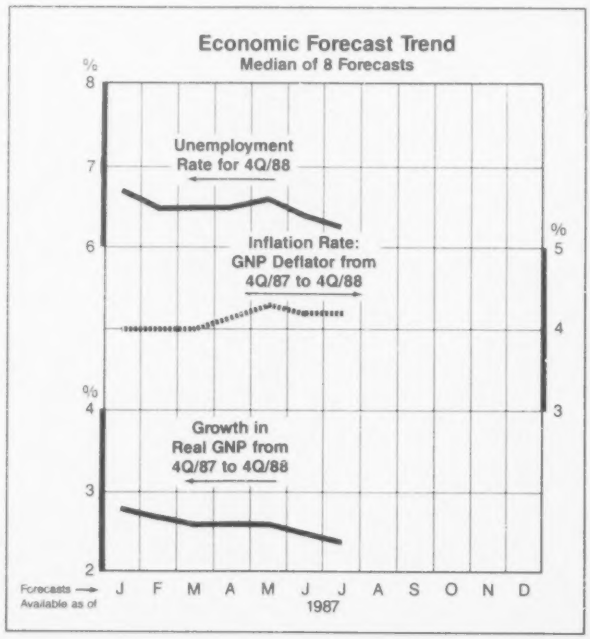
INTERNATIONAL MONITOR

Import growth remains subdued. Total imports were 5.1% higher in April than 2 months earlier, but only 3.5% higher than last October. Imports of manufactured goods were 1.3% higher in April than 2 months earlier but 6.8% higher than last October. Shipments of Electric machinery were 7.9% higher in April than 2 months earlier, nonelectric machinery was 1.7% higher. All other manufactured imports were lower.

While import growth appears to have slowed, there is concern about the fragility of the recent pickup in exports. Total exports were 7.9% higher in April than 2 months earlier but only 3% higher than last October. Exports of manufactured goods fared better; they were 7.8% higher in April than 2 months earlier but 6.1% higher than last October.

The rise in exports has been broad-based and wide spread. All major categories of manufactured exports rose over the last 2 months. Exports to all geographic areas rose, with the exception of the EEC.

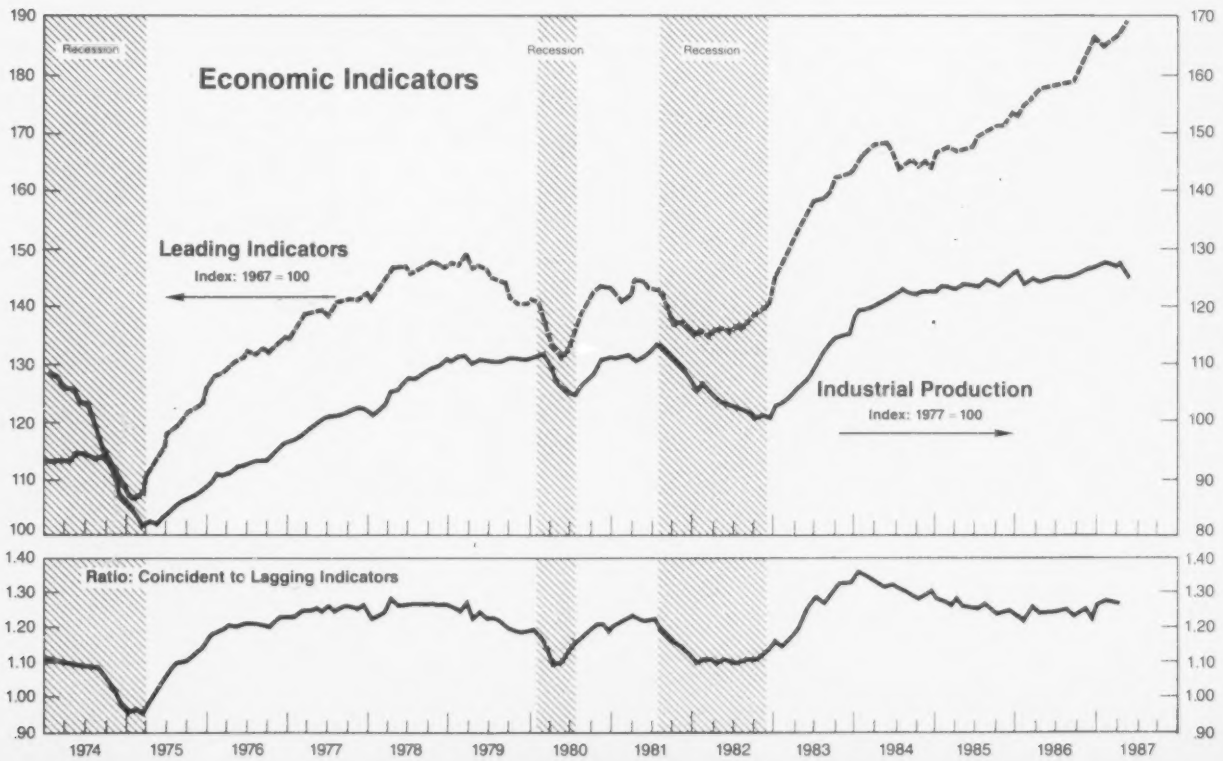
Ken Goldstein
July 14, 1987



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May	X			1.8%	6.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May	X			10.4%	14.3%
New orders, nondefense capital goods (deflated)	May	X			11.8%	17.3%
*New business formation	May		X		0.4%	0.7%
*Housing permits	May			X	-10.9%	-16.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May			X	- 1.0%	6.5%
*Change in inventory, on hand & order (deflated)	Apr.	X			27.8%	- 0.3%
Purchasing agents' buying policy	Jun.			X	- 3.0%	0.0%
*Vendor performance, reported slower deliveries	May	X			8.0%	5.0%
Industrial raw materials prices	Jun.	X			12.2%	22.8%
*Change in sensitive material prices	May	X			0.3%	1.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	May			X	- 0.5%	3.3%
Change in business loans	May		X		50.4%	-11.3%
*Change in credit outstanding	Apr.	X			- 2.2%	2.4%
Change in consumer installment debt	Apr.	X			25.7%	-36.1%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q			X	- 5.2%	7.5%
*Common stock prices	Jun.	X			2.8%	22.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jun.		X		0.1hr	0.4hr
*Initial unemployment claims (inverted)	May.	X			9.7%	13.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



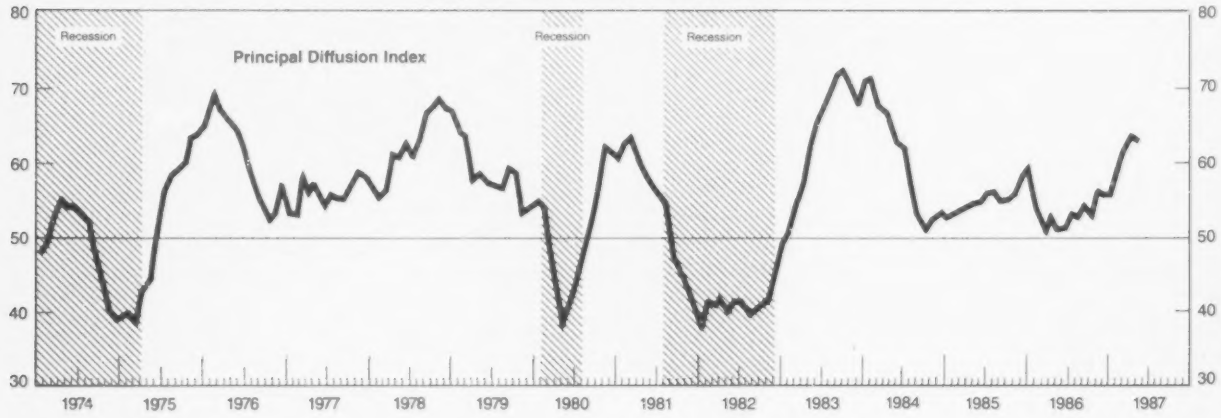
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986 May	1987 Feb.	Mar.	Apr.	May(e)
Principal Diffusion Index	50.0	58.9	61.9r	63.8r	63.5
Auxillary Diffusion Index	39.6	57.1	59.5r	56.4r	48.9
Industrial Group	45.0	56.5	60.5r	61.6r	59.6
Nonindustrial Group	55.1	61.4	63.2	66.0r	67.3
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	60.7	63.7	69.2r	71.4r	76.3
Labor	41.3	56.0	57.2	57.8	54.0
Miscellaneous	30.8	46.8	55.8	56.4	48.7
Nonindustrial Subgroups					
Prices	61.5	73.7	78.2	82.0r	85.3
Consumer	61.5	68.8	68.8	73.5r	67.9
Building	43.3	48.7	50.0	50.6r	51.9
Miscellaneous	52.1	54.3	56.4	58.1	65.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984			*1985*				*1986*				*1987*
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)											
Measure of Business Confidence	61	57	61	52	51	55	61	61	50	51	55	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	70	57	62	48	45	53	63	61	44	50	56	55
2. Expectations for Economy, Six Months Ahead	57	57	61	53	53	56	62	62	52	51	54	53
3. Expectations for Own Industry, Six Months Ahead	57	58	61	55	54	56	59	60	54	53	56	56

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

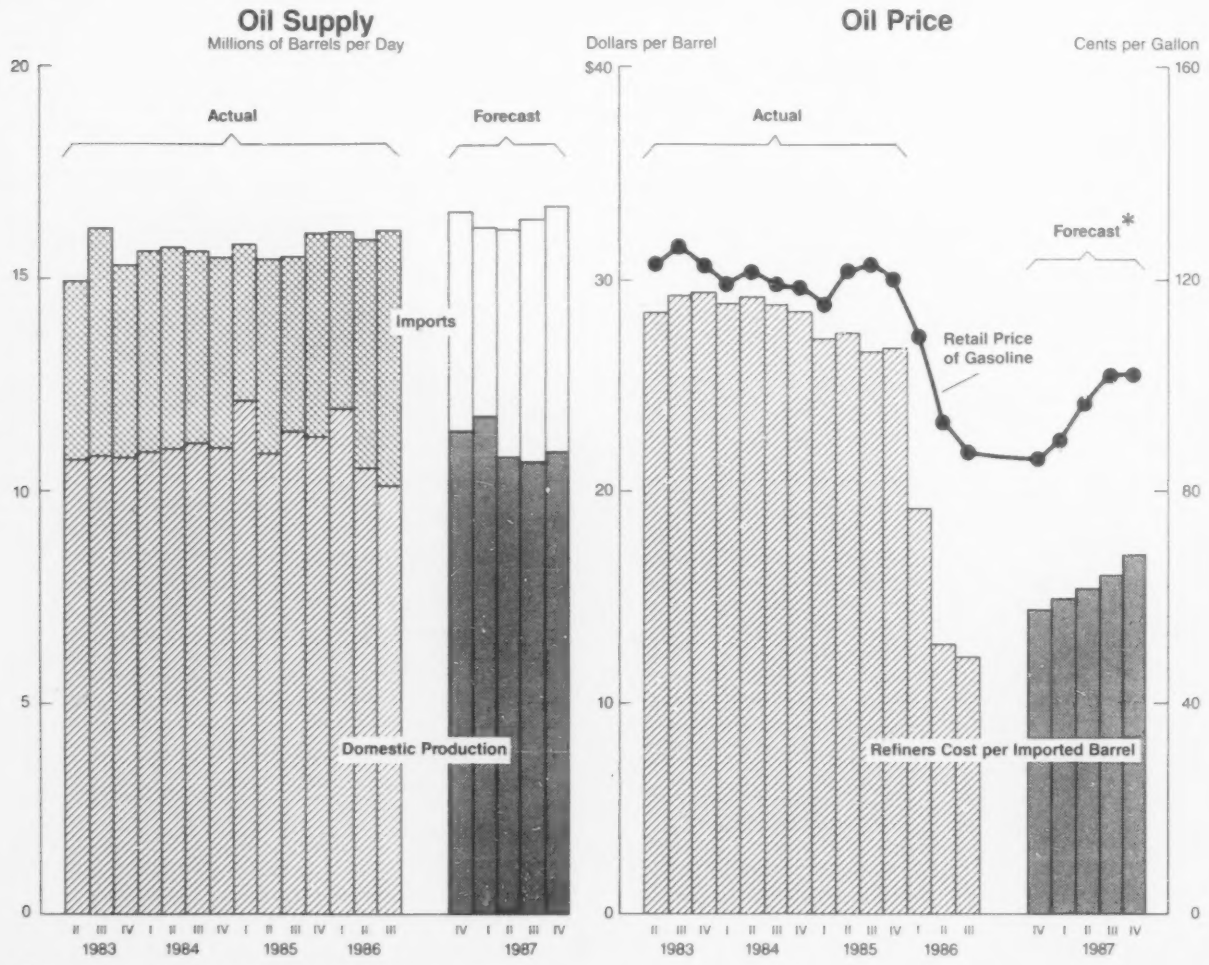
Billions of Dollars, Seasonally Adjusted

	1985		1986				1987	Percent Change From Previous Year	
	III	IV	I	II	III	IVr	Ip	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	24.167	27.190	23.386	19.991	20.203	22.097	22.955	- 2	32
Capital expenditures	24.730	26.336	23.566	24.309	22.452	23.299	22.151	- 6	11
Change in appropriations backlog*	-2.702	-2.594	-2.368	-6.447	-5.060	-10.993	- 0.565		
Durable Goods									
New appropriations	12.031	12.005	11.613	9.578	10.051	10.807	10.431	- 3.5	26
Capital expenditures	12.299	12.676	11.479	11.880	12.186	12.915	12.088	- 6.4	7
Change in appropriations backlog*	-1.094	-3.063	-1.582	-3.824	-3.986	- 4.140	-2.537		
Nondurable Goods									
New appropriations	12.136	15.185	11.773	10.413	10.152	11.290	12.524	10.9	38
Capital expenditures	12.431	13.660	12.087	12.429	10.266	10.384	10.063	- 3.1	17
Change in appropriations backlog*	-1.608	+0.469	-0.786	-2.623	-1.074	- 6.853	+1.972		
ELECTRIC & GAS UTILITIES									
New appropriations	15.139r	5.093r	8.692r	9.084	5.094	5.044		+ 3	
Capital expenditures	9.366r	9.078r	8.417r	7.425	8.115	7.839		- 2.0	
Change in appropriations backlog*	+4.662r	-4.984r	-0.261r	+1.773	-7.325	-0.028			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

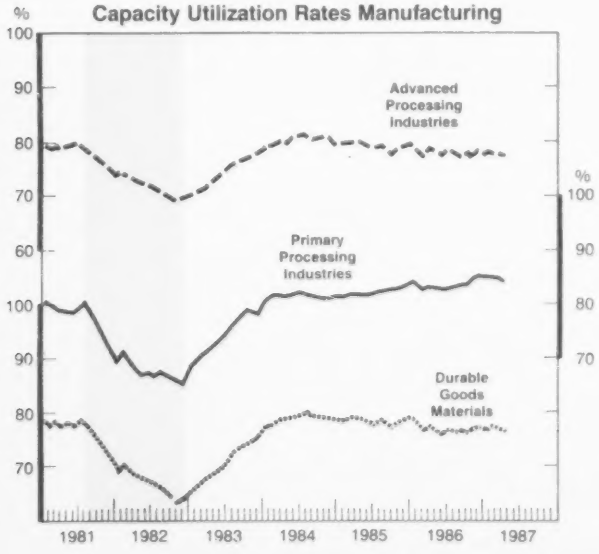
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments)



* Source of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Jun., 1987*		*Jun., 1987*		*Jun., 1987*		*Jun., 1987*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**I**	**$4352.1**	**9.1%**	**$4352.1**	**9.1%**	**$4352.1**	**9.1%**	**$4352.1**	**9.1%**
		II	4416.2	6.0	4403.4	4.8	4415.7	6.0	4419.3	6.3
		III	4493.6	7.2	4473.8	6.6	4499.7	7.8	4489.7	6.5
		IV	4571.4	7.1	4547.1	6.7	4582.4	7.6	4564.7	6.9
	1988	I	4699.3	11.7	4630.6	7.6	4661.9	7.1	4653.3	8.0
		II	4751.5	4.5	4713.8	7.4	4743.6	7.2	4728.0	6.6
		III	4827.4	6.5	4798.3	7.4	4828.4	7.3	4805.6	6.7
		IV	4903.9	6.5	4886.3	7.5	4905.3	6.5	4871.8	5.6
	1989	I	4986.8	6.9	4980.1	7.9	4964.8	4.9	4932.1	5.0
		II	5069.4	6.8	5071.2	7.5	5027.3	5.1		
	1987	Annual	4458.3	6.0	4444.1	5.7	4462.5	6.1	4456.5	6.0
	1988	Annual	4795.5	7.6	4757.3	7.0	4784.8	7.2	4764.7	6.9
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**IV**	**$3739.4**	**4.8%**	**$3739.4**	**4.8%**	**$3739.4**	**4.8%**	**$3739.4**	**4.8%**
		II	3763.5	2.6	3746.0	0.7	3758.0	2.0	3754.7	1.6
		III	3793.6	3.2	3764.5	2.0	3794.0	3.9	3772.9	2.0
		IV	3830.7	4.0	3782.1	1.9	3825.0	3.3	3794.4	2.3
	1988	I	3876.4	4.9	3801.6	2.1	3856.0	3.3	3826.7	3.4
		II	3906.8	3.2	3823.1	2.3	3885.0	3.0	3847.0	2.1
		III	3928.3	2.2	3844.0	2.2	3916.0	3.2	3866.1	2.0
		IV	3952.3	2.5	3866.7	2.4	3940.0	2.5	3875.7	1.0
	1989	I	3974.8	2.3	3889.0	2.3	3956.0	1.6	3880.5	0.5
		II	3998.4	2.4	3911.6	2.3	3971.0	1.5		
	1987	Annual	3781.8	2.9	3758.0	2.3	3779.1	2.8	3765.4	2.5
	1988	Annual	3916.0	3.5	3833.9	2.0	3899.3	3.2	3853.9	2.4
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**I**	**116.4**	**3.4%**	116.4	**3.4%**	116.4	**3.4%**	116.4	**3.4%**
		II	117.3	3.3	117.5	4.1	117.5	3.9	117.7	4.6
		III	118.5	3.8	118.8	4.5	118.6	3.8	119.0	4.5
		IV	119.3	3.0	120.2	4.7	119.8	4.1	120.3	4.4
	1988	I	121.2	6.5	121.8	5.4	120.9	3.7	121.6	4.4
		II	121.6	1.3	123.3	5.0	122.1	4.0	122.9	4.3
		III	122.9	4.2	124.8	5.0	123.3	4.0	124.3	4.6
		IV	124.1	3.9	126.4	5.0	124.5	4.0	125.7	4.6
	1989	I	125.5	4.5	128.1	5.4	125.5	3.3	127.1	4.5
		II	126.8	4.3	129.6	5.1	126.6	3.6		
	1987	Annual	117.9	3.0	118.3	3.3	118.1	3.2	118.3	3.4
	1988	Annual	122.5	3.9	124.1	4.9	122.7	3.9	123.6	4.5
Unemployment Rate										
Actual	**1987**	**I**		**6.7%**		**6.7%**		**6.7%**		**6.7%**
		II		6.4		6.3		6.3		6.3
		III		6.4		6.3		6.2		6.3
		IV		6.4		6.4		6.3		6.1
	1988	I		6.2		6.4		6.3		6.0
		II		6.0		6.4		6.3		6.1
		III		5.9		6.2		6.3		6.1
		IV		5.9		6.2		6.4		6.2
	1989	I		5.9		6.2		6.6		6.3
		II		5.9		6.1		6.6		
	1987	Annual		6.5		6.4		6.4		6.4
	1988	Annual		6.0		6.3		6.3		6.1

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised second revision first quarter data.

THE ECONOMIC FORECASTS (continued)

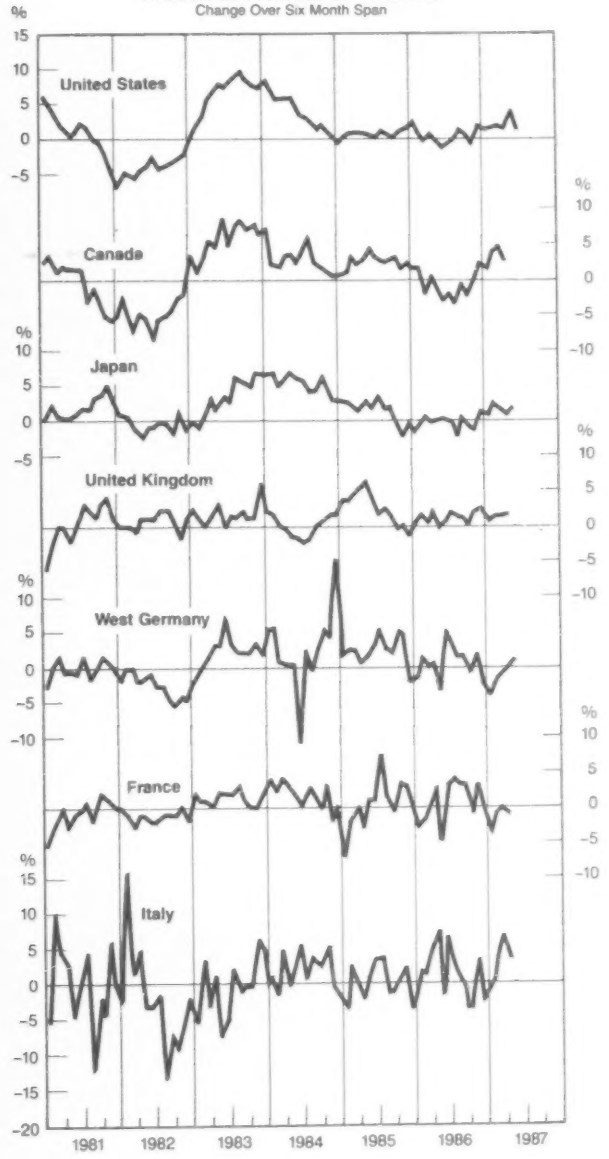
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Jun., 1987		*Jun., 1987*		*Jun., 1987*		*Jun., 1987*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4352.1	**9.1%**	**$4352.1**	**9.1%**	**$4352.1**	**9.1%**	**$4352.1**	**9.1%**	**I**	**1987**	**Actual**
4413.0	5.7	4397.9	4.3	4410.6	5.5	4405.2	5.0	II		
4484.0	6.6	4454.3	5.2	4486.2	7.0	4457.8	4.9	III		
4556.0	6.6	4523.3	6.3	4550.0	5.8	4550.2	8.6	IV		
4613.0	5.1	4588.1	5.9	4636.4	7.8	4640.6	8.2	I	1988	
4679.0	5.8	4645.5	5.1	4694.4	5.1	4728.1	7.8	II		
4759.0	7.0	4715.1	6.1	4753.2	5.1	4816.3	7.7	III		
4848.0	7.7	4792.8	6.8	4820.6	5.8	4898.8	7.0	IV		
		4869.9	6.6	4900.6	6.8	4982.1	7.0	I	1989	
		4944.5	6.3	4978.8	6.5	5060.1	6.4	II		
4451.3	5.8	4431.9	5.4	4449.7	5.8	4441.3	5.6	Annual	1987	
4724.8	6.1	4685.4	5.7	4726.2	6.2	4771.0	7.4	Annual	1988	
								Gross National Product Billions of Constant (1982) Dollars		
$3739.4	**4.8%**	**$3739.4**	**4.8%**	**$3739.4**	**4.8%**	**$3739.4**	**4.8%**	**I**	**1987**	**Actual**
3755.7	1.8	3743.6	0.5	3757.2	1.9	3752.4	1.4	II		
3777.6	2.4	3759.8	1.7	3785.8	3.1	3758.8	0.7	III		
3796.7	2.0	3786.5	2.9	3812.3	2.8	3796.8	4.1	IV		
3806.1	1.0	3802.6	1.7	3849.5	4.0	3832.4	3.8	I	1988	
3819.6	1.4	3821.4	2.0	3862.0	1.3	3861.9	3.1	II		
3841.0	2.3	3848.7	2.9	3873.2	1.2	3889.9	2.9	III		
3866.0	2.6	3851.9	0.3	3894.4	2.2	3911.0	2.2	IV		
		3906.0	5.7	3919.2	2.6	3931.8	2.1	I	1989	
		3931.6	2.6	3943.3	2.5	3946.0	1.5	II		
3767.4	2.5	3757.3	2.2	3773.7	2.7	3761.9	2.4	Annual	1987	
3833.2	1.7	3831.2	2.0	3869.8	2.5	3873.8	3.0	Annual	1988	
								Gross National Product deflator Index, 1982 = 100		
116.4	**3.4%**	**116.4**	**3.4%**	**116.4**	**3.4%**	**116.4**	**3.4%**	**I**	**1987**	**Actual**
117.5	3.9	117.5	3.8	117.4	3.5	117.4	3.5	II		
118.7	4.1	118.5	3.4	118.5	3.8	118.6	4.2	III		
120.0	4.5	119.5	3.4	119.4	2.9	119.8	4.3	IV		
121.2	4.1	120.7	4.1	120.4	3.7	121.1	4.2	I	1988	
122.5	4.4	121.6	3.0	121.6	3.7	122.4	4.5	II		
123.9	4.7	122.5	3.1	122.7	3.9	123.8	4.6	III		
125.4	4.9	124.4	6.4	123.8	3.5	125.3	4.7	IV		
		124.7	0.8	125.0	4.1	126.7	4.7	I	1989	
				126.3	4.0	128.2	4.9	II		
118.1	3.2	117.9	3.1	117.9	3.0	118.1	3.2	Annual	1987	
123.3	4.3	122.3	3.7	122.1	3.6	123.1	4.3	Annual	1988	
								Unemployment Rate		
	6.7%		**6.7%**		**6.7%**		**6.7%**	**I**	**1987**	**Actual**
	6.4		6.3		6.3		6.3	II		
	6.3		6.4		6.5		6.5	III		
	6.3		6.4		6.5		6.5	IV		
	6.6		6.5		6.4		6.4	I	1988	
	6.8		6.5		6.4		6.3	II		
	6.9		6.4		6.4		6.3	III		
	6.9		6.4		6.4		6.2	IV		
			6.2		6.4		6.3	I	1989	
			6.1		6.4		6.4	II		
	6.4		6.5		6.5		6.5	Annual	1987	
	6.8		6.5		6.4		6.3	Annual	1988	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

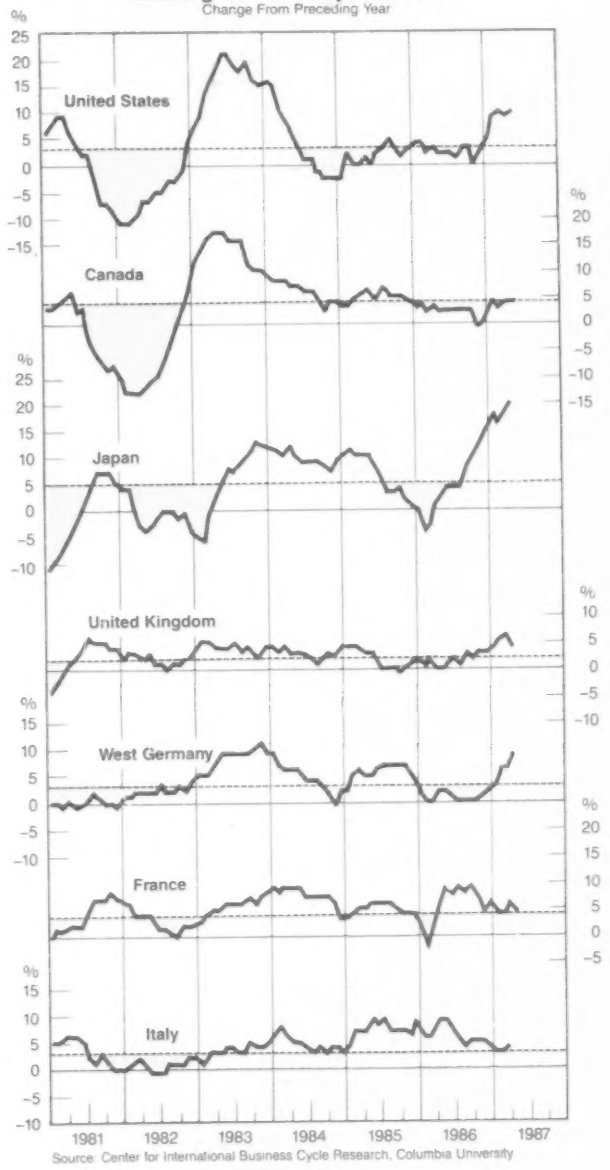
Industrial Production Indexes

Change Over Six Month Span



Leading Business Cycle Indexes

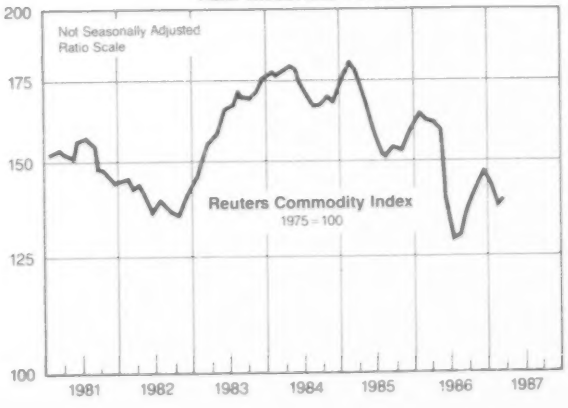
Change From Preceding Year



Source: Center for International Business Cycle Research, Columbia University

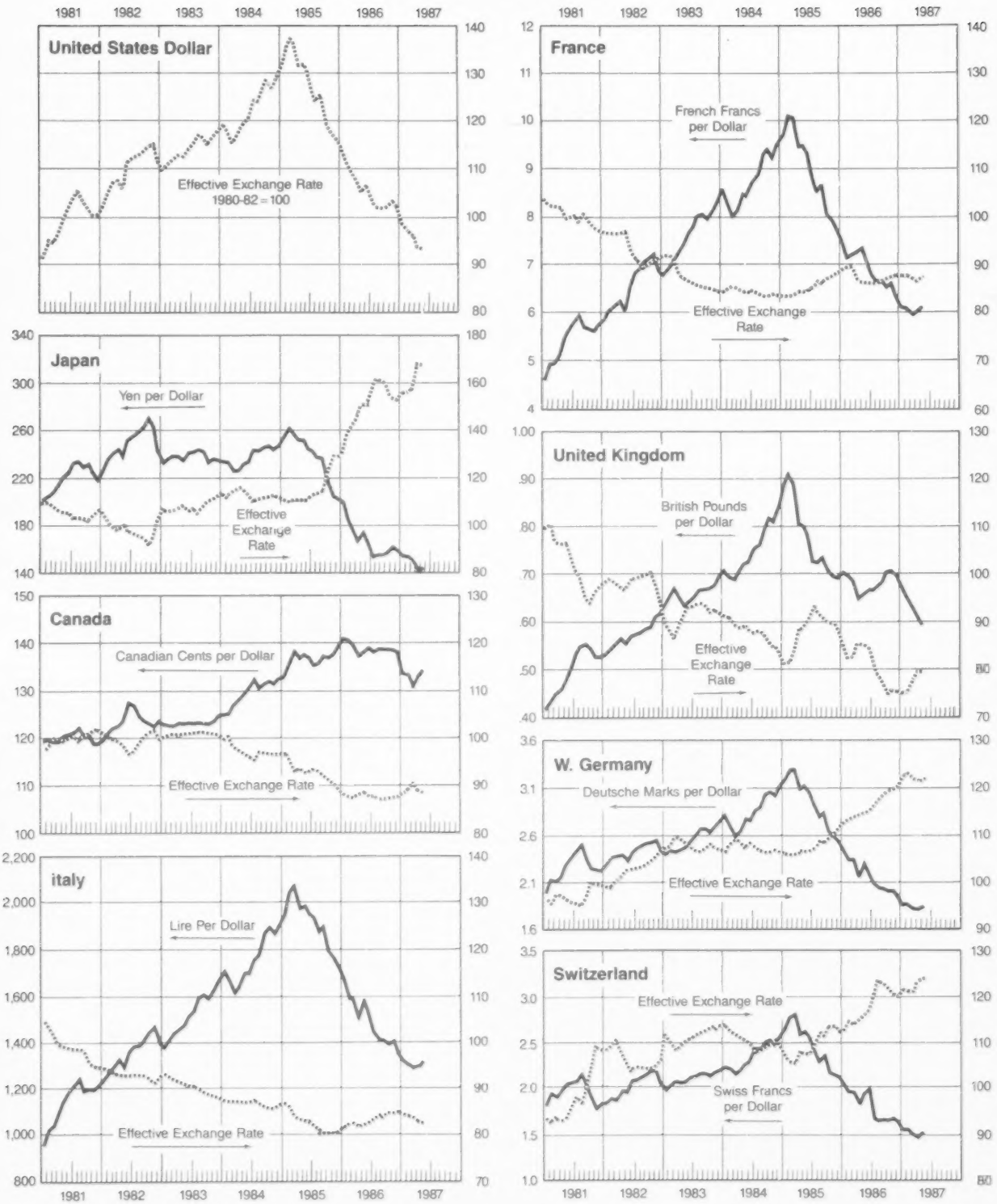
Merchandise Trade: Value of Exports

Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82=100



Note: Nominal Effective Exchange Rates: index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

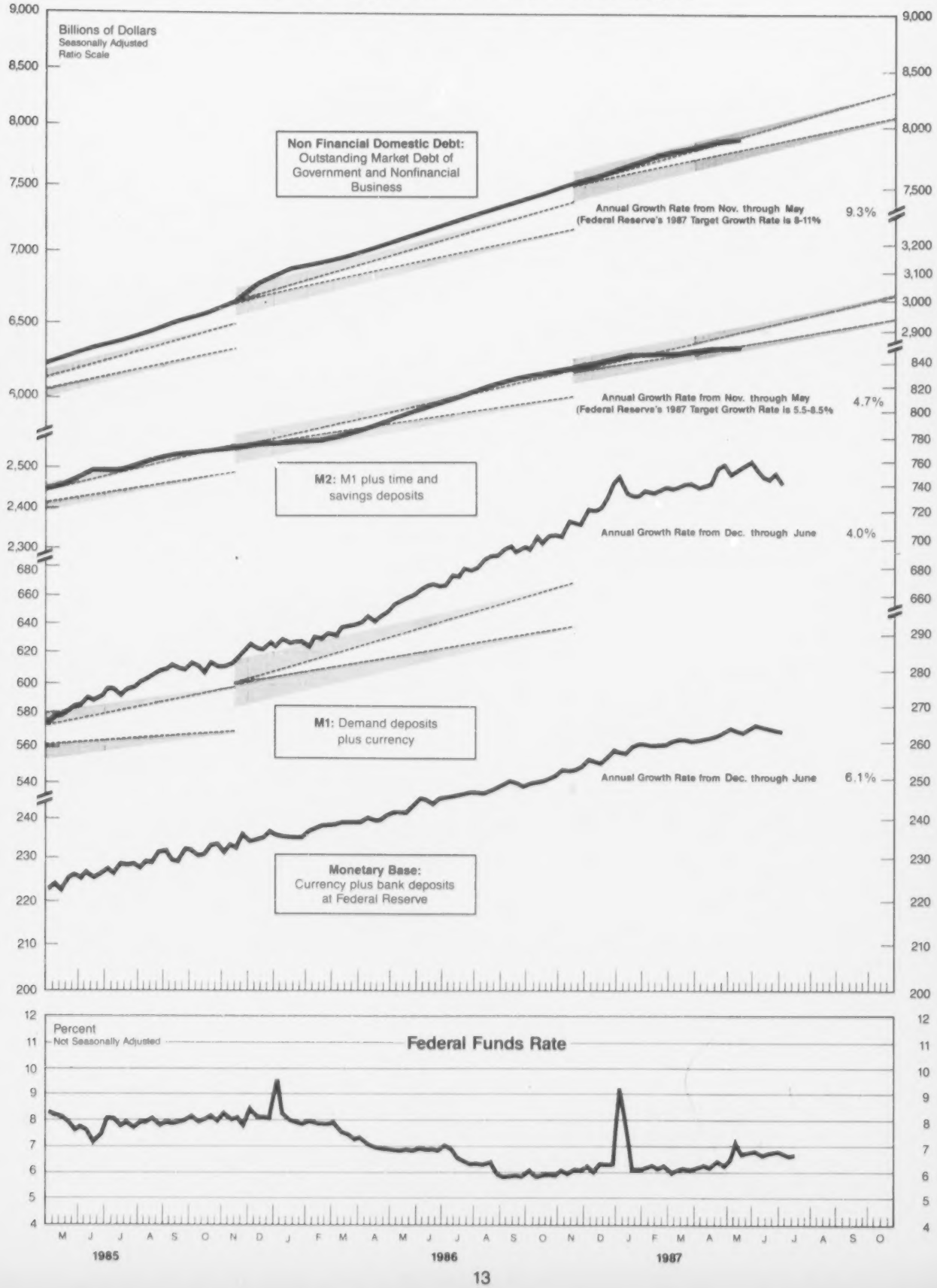
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987		Fiscal 1988
	Actual	Administration's Latest Estimate (1/5/87)	Administration's Latest Estimate (1/5/87)	Congress's Latest Estimate (6/17/87)
Receipts	**$769.1**	**$842.4**	**$916.6**	**$ 918.1**
Outlays	**989.8**	**1,015.6**	**1,024.3**	**1,055.5**
Deficit	**−220.7**	**−173.2**	**−107.8**	**−137.4**
Receipts by source	**$769.1**	**$842.4**	**$916.6**	**$ 918.1**
Individual income	349.0	364.0	392.8	
Social security	283.9	301.5	333.2	
Corporate income	63.1	104.8	117.2	
Other receipts	73.1	72.1	73.4	
Outlays by function	**$989.2**	**$1,015.6**	**$1,024.2**	**$1,055.5**
National defense	273.4	282.2	297.6	289.5
Social security	269.0	279.5	292.4	302.4
Income security	119.8	124.9	124.8	131.5
Health	35.9	39.7	38.9	44.9
Education & manpower	29.7	29.8	28.4	32.9
Veterans benefits	26.4	26.7	27.2	27.4
Transportation	28.1	27.0	25.5	28.3
Agriculture	31.4	31.1	26.3	28.6
International affairs	14.2	14.6	15.2	16.1
Natural resources	13.6	13.9	14.2	15.1
General science	9.0	9.5	11.4	11.1
Justice	6.6	8.3	9.2	9.4
General government	6.1	6.8	7.5	7.2
Community development	7.5	6.2	5.5	6.6
Commerce, Housing credit	4.4	9.3	2.5	7.8
Energy	4.7	3.8	3.3	4.6
Revenue sharing	6.4	1.9	1.5	1.8
Interest	136.0	137.5	139.0	139.3
Allowances	0.0	0.0	− 0.8	− 0.7
Offsetting receipts	− 33.0	− 37.1	− 45.4	− 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	**$4,218**	**$4,493**	**$4,816**	**$4,779**
Constant (1982) Dollar	**3,681**	**3,794**	**3,928**	**3,898**
Percent change in				
Current dollar	5.5%	6.5%	7.2%	6.9%
Constant (1982) dollar	2.7	3.1	3.5	3.0
Implicit price index	2.8	3.3	3.5	3.8
Consumer price index	1.6	3.0	3.6	4.3
91-Day T bill rate	6.0	5.4	5.6	5.6
Unemployment rate	6.9	6.7	6.3	6.5

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Non Financial Domestic Debt: Outstanding Market Debt of Government and Nonfinancial Business
Annual Growth Rate from Nov. through May (Federal Reserve's 1987 Target Growth Rate is 8-11%
9.3%
Annual Growth Rate from Nov. through May (Federal Reserve's 1987 Target Growth Rate is 5.5-8.5%
4.7%
M2: M1 plus time and savings deposits
Annual Growth Rate from Dec. through June
4.0%
M1: Demand deposits plus currency
Annual Growth Rate from Dec. through June
6.1%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
1985
1986
1987

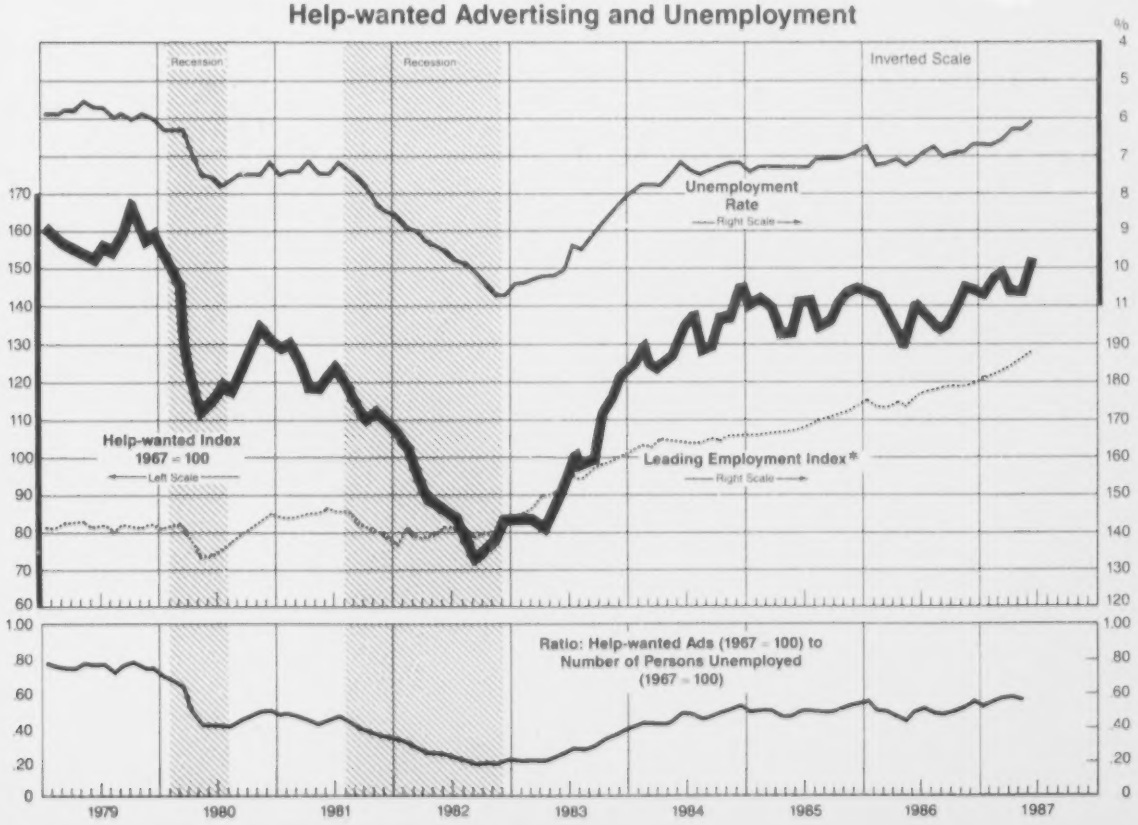
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

Locality	1987 May	1987 Apr.	1987 Mar.	1986 May
National Index	143	144	150	128
New England	175	183	186	157
Boston	185	183	189	164
Hartford	187	192	193	164
Providence	129	174	169	125
Middle Atlantic	83	82	87	71
Albany	200	194	184	182
Allentown	306	302	316	197
New York	64	64	66	57
Philadelphia	70	70	80	59
Pittsburgh	85	82	98	75
Rochester	82	83	89	77
Syracuse	135	123	139	127
East North Central	97	94	101	86
Chicago	111	105	113	89
Cincinnati	148	145	155	140
Cleveland	63	59	67	56
Columbus	173	158	178	144
Dayton	85	81	86	82
Detroit	56	55	60	64
Gary	151	129	143	125
Indianapolis	90	110	112	101
Milwaukee	61	67	66	52
Toledo	123	124	129	114
West North Central	92	89	97	82
Kansas City	140	129	138	129
Minneapolis	80	79	90	63
Omaha	138	137	141	108
St. Louis	63	63	68	65
South Atlantic	205	203	215	175
Atlanta	259	251	273r	251
Baltimore	263	284	248	195
Charlotte	186	183	202	145
Jacksonville	238	233	237	217
Miami	96	96	114	77
Richmond	161	147	158	137
Washington, D.C.	194	184	216	167
East South Central	150	168	172	143
Birmingham	110	147	165	152
Knoxville	270	255	282	212
Louisville	83	78	89	80
Memphis	144	142	145	126
Nashville	210	276r	242	190
West South Central	155	151	160	163
Dallas	136	139	142	187
Houston	215	205	230	200
New Orleans	113	109	106	95
Oklahoma City	102	101	104	108
San Antonio	142	143	153	167
Tulsa	130	116	117	117
Mountain	274	276r	300	269
Denver	181	172	189	157
Phoenix	345	408	439	410
Salt Lake City	353	294r	320	286
Pacific	220	230	225	192
Los Angeles	156	158	150	136
Sacramento	461	449	439	279
San Bernadino	272	281	283	217
San Diego	531	536	534	457
San Francisco	191	230	231	202
Seattle	226	219	219	189
Percentage of papers with rising volume	67	[illegible]	63	29
Unemployment rate	6.3	[illegible]	6.6	7.2

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 197[illegible]).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



*Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9	101.0	101.1	106.1	104.8	105.8	100.4	103.1	100.0	99.1	105.4	97.0
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0r	102.0p						

Buying Plans Index

1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4r	92.5p						

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

Consumer Confidence and Expectations

CBDB

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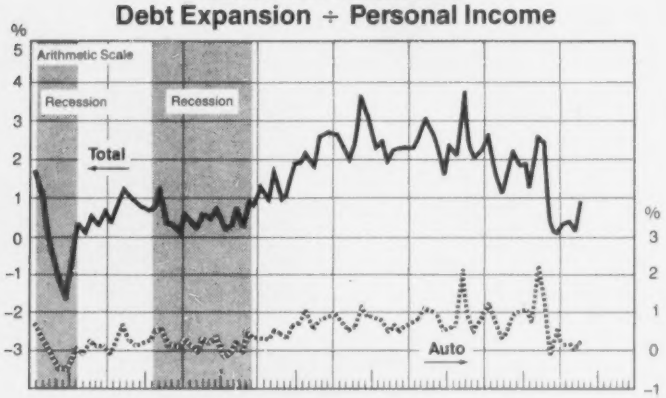
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales

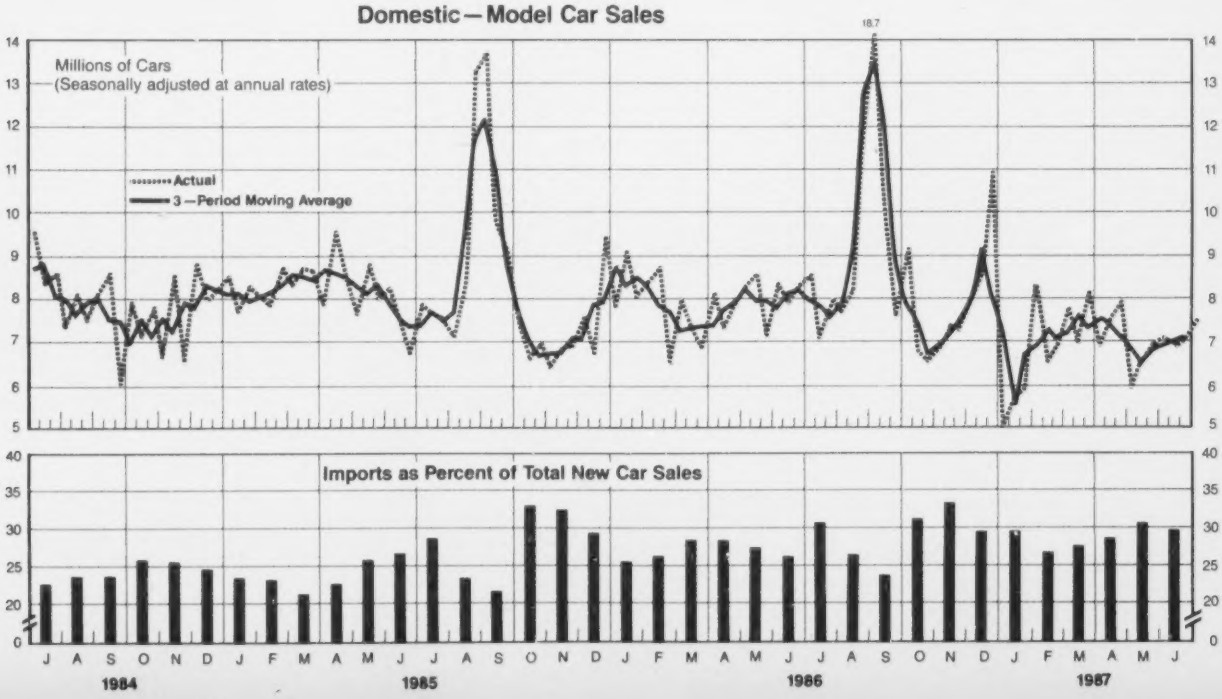
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1984	1985	1986	1987
January:	1-10	8.16	8.46	7.76	4.78
	11-20	7.84	7.66	9.05	5.71
	21-31	9.15	8.23	8.02	5.95
February:	1-10	7.79	8.01	8.36	8.26
	11-20	9.17	7.84	8.71	6.46
	21-28(29)	7.60	8.69	6.47	6.87
March:	1-10	7.35	8.27	7.93	7.76
	11-20	8.13	8.73	7.23	6.95
	21-31	7.35	8.67	6.81	8.13
April:	1-10	8.88	7.84	8.06	6.85
	11-20	7.96	9.48	7.25	7.52
	21-30	8.60	8.42	7.92	7.89
May:	1-10	8.19	7.60	8.30	5.93
	11-20	7.74	8.78	8.57	6.44
	21-31	8.43	7.96	7.09	6.96
June:	1-10	7.22	8.21	8.27	6.95
	11-20	8.25	7.51	7.84	7.03
	21-30	8.10	6.71	8.30	7.45
July:	1-10	9.51	7.81	8.50	
	11-20	8.32	7.63	7.03	
	21-31	8.59	7.57	7.96	
August:	1-10	7.33	7.09	7.64	
	11-20	8.07	8.30	8.19	
	21-31	7.43	13.23	11.65	
September:	1-10	8.13	13.64	18.67	
	11-20	8.52	9.70	9.87	
	21-30	6.03	9.10	7.58	
October:	1-10	7.83	7.40	9.07	
	11-20	7.07	6.57	6.72	
	21-31	7.70	6.92	6.51	
November:	1-10	6.60	6.40	6.80	
	11-20	8.44	6.81	7.32	
	21-30	6.57	6.91	7.23	
December:	1-10	8.75	7.56	7.95	
	11-20	7.96	6.69	8.54	
	21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales


Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3—Period Moving Average
18.7
Imports as Percent of Total New Car Sales
J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J
1984
1985
1986
1987